

# BUDGET LETTER

<b>SUBJECT:</b> EMPLOYEE COMPENSATION ADJUSTMENTS	<b>NUMBER:</b> 02-34
<b>REFERENCES:</b> PERSONNEL MANAGEMENT LIAISONS 01-039, 01-040, 01-045, 01-046, 01-052, 01-057, 01-059, 01-069, 02-012, 02-018, AND 02-019 PAY LETTERS: 01-22, 01-24, 01-28, 01-28A, 02-01, 02-04, 02-05, 02-10, 02-12, 02-13, 02-15, AND 02-19	<b>DATE ISSUED:</b> October 10, 2002  <b>SUPERSEDES:</b>  BL 02-06 BL 01-44

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

**Budget Officers are required to forward a copy of this Budget Letter (BL) to Departmental Personnel and Labor Relations Officers.**

This BL addresses the impact of the 2002-03 employee compensation adjustments approved through the collective bargaining process and provides background information and related costing instructions for these adjustments. This BL provides departments with instructions to request additional current year and budget year funding for adjustments effective in 2002-03.

## I. Background

The State has executed Memoranda of Understanding (MOUs), with all of the 21 collective bargaining units (Units) for agreements beginning July 2001:

- Unit 1, California State Employees' Association (CSEA)
- Unit 2, California Attorneys in State Employment (CASE)
- Unit 3, California State Employees' Association (CSEA)
- Unit 4, California State Employees' Association (CSEA)
- Unit 5, California Association of Highway Patrolmen (CAHP)
- Unit 6, California Correctional Peace Officers' Association (CCPOA)
- Unit 7, California Union of Safety Employees (CAUSE)
- Unit 8, California Department of Forestry and Fire Protection Firefighters (CDFF)
- Unit 9, Professional Engineers in California Government (PECG)
- Unit 10, California Association of Professional Scientists (CAPS)
- Unit 11, California State Employees' Association (CSEA)
- Unit 12, International Union of Operating Engineers (IUOE)
- Unit 13, International Union of Operating Engineers (IUOE)
- Unit 14, California State Employees' Association (CSEA)
- Unit 15, California State Employees' Association (CSEA)
- Unit 16, Union of American Physicians and Dentists (UAPD)
- Unit 17, California State Employees' Association (CSEA)
- Unit 18, California Association of Psychiatric Technicians (CAPT)
- Unit 19, American Federation of State, County, and Municipal Employees (AFSCME)
- Unit 20, California State Employees' Association (CSEA)
- Unit 21, California State Employees' Association (CSEA)

This letter provides departments with instructions for scheduling the 2002-03 employee compensation and benefit adjustments for State employees represented by the 21 Units with approved agreements ratified by both membership and the Legislature, and similar adjustments for excluded employees as approved by the Department of Personnel Administration (DPA).

These instructions do not apply to personnel of the University of California, the California State University, the Hastings College of Law, or State Active Duty personnel of the Military Department. Additionally, since the California Citizens' Compensation Commission has not adjusted the salaries of State Constitutional Officers, this BL does not include adjustments for those positions.

## **II. Employee Compensation Adjustments**

### **A. Treatment of Budget Documents**

See Attachment A of this letter for instructions on the treatment of budget documents (Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), and the Governor's Budget (Reconciliation with Appropriations and Changes in Authorized Positions).

### **B. Instructions**

Budget staff of the affected departments must complete and submit the appropriate attachments to their respective Finance Budget Analysts. The information is necessary to support the funding request and to provide the necessary scheduling information to process the budget Executive Order. Refer to the following attachments to determine eligible adjustments and to prepare departmental funding requests:

- Attachment I, DEPARTMENTAL REQUEST
- Attachment IIa, SUMMARY OF HEALTH BENEFIT ADJUSTMENTS (ALL UNITS EXCEPT UNITS 2 AND 17)
- Attachment IIb, SUMMARY OF HEALTH BENEFIT ADJUSTMENTS (UNITS 2 AND 17)
- Attachment IIc, SUMMARY OF HEALTH BENEFIT ADJUSTMENTS (EXCLUDED)
- Attachment III, HEALTH BENEFIT ADJUSTMENT WORKSHEET
- Attachment IV, ELIGIBLE MISCELLANEOUS AND SPECIAL SALARY ADJUSTMENTS
- Attachment V, MISCELLANEOUS AND SPECIAL SALARY ADJUSTMENTS WORKSHEET
- Attachment VI, INTERAGENCY AGREEMENTS WORKSHEET
- Attachment VII, SCHEDULING WORKSHEET
- Attachment VIII, PLANNING ESTIMATE ADJUSTMENT SUMMARY

To request funding for eligible adjustments, all departments **must** complete and submit Attachments I, VII, and VIII to their respective Finance Budget Analysts. Departments should submit Attachments III, V, and VI, as appropriate.

Attachment I reflects the total departmental request and summarizes Attachments IIa, IIb, and IIc or Attachments III, V, and VI. After calculating the departmental total on Attachment I, if the department total equals or exceeds \$1,000, departments must schedule the total request by appropriation item onto Attachment VII and post these adjustments onto Attachment VIII.

Departments requesting funding for the employee compensation and benefit adjustments associated with reimbursements must coordinate with the department receiving the reimbursement, or payment, in order to correctly complete Attachment VI. Attachment VI must be completed by the department paying personnel costs under an interagency agreement. Employee compensation and benefit adjustments for these departments will be considered under the following conditions:

- Personnel funded by the interagency agreement must be eligible for an adjustment, as approved by DPA and identified in this BL.
- The department paying for the services must incur additional costs resulting from the employee compensation and benefit adjustments approved by DPA and identified in this BL. Paying departments are required to calculate and enter these amounts on Attachment VI.
- Any interagency agreement included on Attachment VI must be amended to reflect the corresponding funding request.
- For each individual interagency agreement, the total adjustment must be at least **\$10,000** to be eligible for inclusion on Attachment VI.
- The department receiving payment under an interagency agreement must reflect the receipt as reimbursements in the appropriate schedules in their respective budget items.

### **C. Employer's Health Benefit Contribution**

Through DPA's Personnel Management Liaison Memoranda (PMLs) 01-040 and 02-019, DPA approved an adjustment to increase the employer's maximum monthly contribution for health benefits or consolidated benefits.

#### **Units 2 and 17 (consolidated benefits)**

As of July 1, 2002, the employer's maximum monthly contribution for consolidated benefits increased \$1.20 for Single, \$1.30 for 2-Party, and \$.52 for Family. As of January 1, 2003, the employer's maximum monthly contribution for consolidated benefits will increase an additional \$36 for Single, \$72 for 2-Party, and \$95 for Family. Employer contributions are paid one month in advance (e.g., the July premiums are paid in June). For example, for 2002-03, the employer will provide one level of consolidated benefits for premiums paid from July through November (five months) and an increased level of consolidated benefits for premiums paid from December through June (seven months).

The incremental increases in the employer's maximum monthly contributions for consolidated benefits for represented employees in Units 2 and 17 are as follows:

		Single		2-Party		Family
2002-03 (5 months)	\$	1.20	\$	1.30	\$	0.52
2002-03 (7 months)	\$	37.20	\$	73.30	\$	95.52
2003-04 (12 months)	\$	37.20	\$	73.30	\$	95.52

#### **Units 1, 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 15, 20, and 21 (health benefits) Units 7, 8, 16, 18, and 19 (consolidated benefits)**

As of January 1, 2003, the employer's maximum monthly contribution for health benefits and consolidated benefits will increase an additional \$36 for Single, \$72 for 2-Party, and \$95 for Family. Employer contributions are paid one month in advance (e.g., the July premiums are paid in June). For example, for 2002-03, the employer will provide one level of consolidated benefits for premiums paid from July through November (five months) and an increased level of consolidated benefits for premiums paid from December through June (seven months).

The incremental increases in the employer's maximum monthly contributions for health benefits and consolidated benefits for represented employees in Units 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 18, 19, 20, 21, and Excluded Employees are as follows:

		Single		2-Party		Family
2002-03 (5 months)	\$	0.00	\$	0.00	\$	0.00
2002-03 (7 months)	\$	36.00	\$	72.00	\$	95.00
2003-04 (12 months)	\$	36.00	\$	72.00	\$	95.00

#### **Excluded Employees (consolidated benefits)**

As of January 1, 2003, the employer's maximum monthly contribution for consolidated benefits will increase an additional \$36 for Single, \$74 for 2-Party, and \$96 for Family. Employer contributions are paid one month in advance (e.g., the July premiums are paid in June). For example, for 2002-03, the employer will provide one level of consolidated benefits for premiums paid from July through November (five months) and an increased level of consolidated benefits for premiums paid from December through June (seven months).

The incremental increases in the employer's maximum monthly contributions for consolidated benefits for Excluded Employees are as follows:

		Single		2-Party		Family
2002-03 (5 months)	\$	0.00	\$	0.00	\$	0.00
2002-03 (7 months)	\$	36.00	\$	74.00	\$	96.00
2003-04 (12 months)	\$	36.00	\$	74.00	\$	96.00

Attachments IIa, IIb, and IIc reflect departmental enrollment data as of July 1, 2002, (Single, 2-Party, Family, and Cash Option) as provided by the State Controller's Office for eligible represented employees and excluded employees addressed in this BL. Attachment II provides the full-year cost of increasing the employer's maximum monthly contribution for health benefits (as outlined above) under the "Current Year Total" column.

The "Current Year Total" column is comprised of the following components:

- The five-month cost for represented employees in Units 2 and 17.
- The seven-month cost of represented employees in Units 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, and eligible excluded employees.

Departments are instructed to combine the "Current Year Total" on Attachments IIa, IIb, and IIc as the total request for the cost of the health benefit adjustment on Attachment I. **Departments using the "Current Year Total" and "Budget Year Total" reflected on Attachments IIa, IIb, and IIc are not required to complete Attachment III.** Should a department submit a request that is greater than the "Current Year Total" adjustment reflected on Attachments IIa, IIb, and IIc, that department must complete Attachment III and provide their Finance Budget Analyst with supporting documentation and an explanation justifying the request. Departments may need to submit a separate copy of Attachment III for employees represented by Units 2 and 17, as those employees received an increased adjustment for consolidated benefits.

#### D. Miscellaneous and Special Salary Adjustments

Various employee compensation adjustments were negotiated and approved for represented employees addressed in this BL and for related excluded employees, beginning in 2001-02. The DPA has transmitted specific classification and pay adjustment data to departments through Pay Letters 01-22, 01-24, 01-28, 01-28a, 02-01, and 02-05, and PMLs 01-069 and 02-012. Any questions regarding the classifications or specific adjustments should be directed to departmental labor relations offices or DPA.

Attachment IV, Eligible Miscellaneous and Special Salary Adjustments, contains a list, by bargaining unit, of the adjustments that will be funded through this BL. **No additional funds will be provided for adjustments not appearing on Attachment IV. Miscellaneous and special salary adjustments will not be provided for overtime or temporary help blankets.** To request funding for miscellaneous and special salary adjustments, departments must complete and submit Attachment V.

**Departments must pay close attention to the provisions in the MOUs for costing purposes.**

#### E. Other Adjustments

Adjustments to the Excess Lodging Rate and the Mileage Rate, as well as the establishment of a Vanpool Riders' Subsidy, were negotiated and approved for most represented employees addressed in this BL and for related excluded employees. The DPA has transmitted specific pay adjustment data to departments through PMLs 01-039, 01-045, 01-046, 01-052, 01-057, 01-59, and 02-018.

To calculate the 2002-03 funding adjustment for Other Adjustments (Excess Lodging Rate, Mileage Rate, and Vanpool Riders' Subsidy), departments must use personnel years as a base figure to determine the appropriate funding request. Determine personnel years by incorporating the "Total Adjustments" and subtracting the "Estimated Salary Savings" (positions) from the 2002-03 "Authorized Positions" identified in the 2002-03 Governor's Budget, Summary by Object.

For example:

	<b>2002-03</b>
Authorized Positions (Equals Sch. 7A)	291.1
Total Adjustments	2.0
Estimated Salary Savings	<u>-13.5</u>
Net Totals, Salaries and Wages (Personnel Years)	279.6

To calculate the 2002-03 adjustment for Other Adjustments, multiply the personnel years total by \$17 (the average cost per personnel year for Other Adjustments). In the above example, the 2002-03 adjustment for Other Adjustments would be \$4,753 (279.6 PYs x \$17 = \$4,753).

#### F. Salary-Driven Payroll Benefits—State Employer Cost

Funding will be provided for the following salary-driven payroll benefits applicable to the miscellaneous and special salary adjustments: OASDI at 6.2 percent of salary up to the \$87,300 cap for 2002, and Medicare at 1.45 percent of salary (no cap) as reflected in BL 02-24. For retirement, departments must use the 2002-03 retirement rates reflected in BL 02-19. This

information will be used in completing Attachment I and Attachment V. **Other increased costs will not be funded.**

#### **G. Reduction in Employees' Retirement Contributions**

A reduction in the employees' retirement contribution was negotiated and approved for the represented employees addressed in this BL and for related excluded employees. Since a reduction in the employees' retirement contribution does not affect departmental expenditures, it will not be necessary to adjust departmental appropriation authority because of this change. As a result, there is no need to address this issue on the attachments included in this BL.

### **III. Control Section 4.20 Budget Development Instructions**

#### **Background**

Pursuant to Control Section 4.20 of the Budget Act of 2002, Finance reduced the Contingency Reserve Fund (CRF) administrative fee from 0.5 percent to 0.2 percent for the 2002-03 fiscal year. Departments are to provide scheduling information on Attachment X for the adjustments contained on Attachment IX.

#### **Treatment of Budget Documents**

See Attachment A of this letter for instructions on the treatment of budget documents (Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), and the Governor's Budget (Reconciliation with Appropriations and Changes in Authorized Positions).

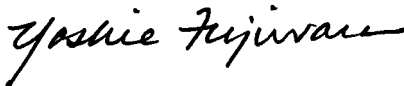
### **IV. Due Dates**

Departments are required to return all attachments, as appropriate, along with related supporting documentation, to their respective Finance Budget Analyst as soon as possible, but no later than **Friday, October 25, 2002.**

#### **Questions**

Please direct your questions to the following entities:

- Questions related to provisions of an MOU should be directed to the departmental labor relations officer or DPA.
- Technical guidance on provisions of, or attachments to, this BL should be directed to Jeff Carosone or Michael Danti of the Department of Finance, Administration Unit, at (916) 445-3274 (CNET 485-3274).



Yoshie Fujiwara  
Program Budget Manager

Attachments

#### **Upcoming Budget Letters**

- Control Sections 31.60 and 31.70
- 2003-04 General Administrative Costs (Pro Rata and SWCAP)

## TREATMENT OF BUDGET DOCUMENTS

### A. Planning Estimates (PE)

**Employee Compensation Adjustments**—Post the sum of all approved costs from Attachment VIII to PE line 0120 for each item of appropriation for both current and budget years. These costs include both the health benefit and the miscellaneous and special salary adjustments, if applicable.

**Section 4.20**—Post the totals from Attachment X to PE line 0700 for current year only.

### B. Schedule 10s

Executive Orders will adjust departmental appropriations for the employee compensation and Section 4.20 adjustments for current year. The current year Schedule 10s must reflect an adjustment for the employee compensation adjustments (Attachment VII) and a separate adjustment for the Section 4.20 adjustments (Attachment X). The following examples are provided as a guideline:

**Example 1: Allocation for Employee Compensation:**

Personal Services <sup>a/</sup> or Program A <sup>a/ b/</sup>	\$XXX
Reimbursements	-\$XXX

In addition, departments are to include this amount in their 2003-04 Budget Year Schedule 10 initial authorized/expenditure totals.

**Example 2: Adjustment per Section 4.20:**

Personal Services <sup>a/</sup> or Program A <sup>a/ b/</sup>	-\$XXX
Reimbursements	\$XXX

a/ Personal Services excluding those adjustments pertaining to OE&E  
b/ Amounts paid to other departments (Reimbursements).

### C. Automated Reconciliation with Appropriations (RWA) Report

For current year, the automated RWA Report will display the employee compensation adjustments on the line entitled "Allocation for employee compensation" and the Section 4.20 adjustments on the line entitled "Adjustment per Section 4.20".

### D. Changes in Authorized Positions (Schedule 2)

Departments must post the salary adjustments reflected on Attachment V for current and budget years to the Salary adjustments line in the Changes in Authorized Positions.

Refer to Attachment IV in Budget Letter 02-23 for the Changes in Authorized Positions example.